



SECOND QUARTER 2018

Awilco Drilling PLC is a UK based offshore drilling company owning and operating two semi submersible drilling rigs. The Company has also ordered one new build rig of Moss CS60 ECO MW design equipped for drilling in harsh environments. The Company is listed at the Oslo Stock Exchange (Oslo Axess) under the ticker code AWDR.

Q2 Report – Highlights

- Awilco Drilling PLC reported contract revenue of USD 9.0 million (USD 34.1 million in Q1), EBITDA USD 1.9 million loss (USD 24.0 million profit in Q1) and net loss of USD 7.6 million (USD 19.1 million profit in Q1).
- Revenue efficiency was 98.5% during the quarter (98.0% in Q1).
- Contract utilisation was 13.9% during the quarter (50% in Q1).
- Contract backlog at the end of Q2 was approximately USD 44.2 million (approximately USD 7.6 million end of Q1).
- The Company exercised the call option and settled the secured bond.
- Since June 2013 Awilco Drilling has consistently paid a quarterly dividend and during this time has distributed USD 12.00 (NOK 83.22) per share. With the ordering of one new-build high-end semisubmersible rig in March this year, plus an agreement for a further three independent rig options, the Company is now in a growth and investment phase. The Board of Directors has, therefore, decided to suspend the dividend and will resume same when the Company again reaches an appropriate free cash flow situation.

Key financial figures:

In USD million, except EPS

USD million	Q2 2018	Q1 2018	Q4 2017	2017
Contract revenue	9.0	34.1	33.9	131.7
Operating expenses	7.4	7.2	7.2	27.8
EBITDA	(1.9)	24.0	24.5	94.8
Net (loss)/profit	(7.6)	19.1	(16.9)	28.2
EPS	(0.16)	0.62	(0.56)	0.94
Total assets	304.4	409.6	331.9	331.9
Total equity	295.8	308.2	231.2	231.2
Interest bearing debt	-	90.0	90.0	90.0
Gearing ratio	-	-0.8%	-14.5%	-14.5%

Financial Results – Quarter 2, 2018

Comprehensive Income Statement

Awilco Drilling reports total comprehensive loss for the second quarter 2018 of USD 7.6 million.

Revenue earned in the second quarter was USD 9.0 million.

In the second quarter Awilco Drilling had rig operating expenses of USD 7.4 million. General and administration expenses were USD 3.4 million. This includes USD 1.0 million in respect of the stock award of synthetic stock options. The stock award provision is restated each quarter based on the valuation of the Company's shares.

EBITDA for the second quarter was a loss of USD 1.9 million while the operating loss was USD 5.1 million.

Interest expense amounted to USD 3.0 million, which relates to the final interest payment and call option expense on repayment of the secured bond.

Loss before tax was USD 7.6 million. The tax expense for the quarter was less than USD 0.1 million resulting in a net loss of USD 7.6 million. Earnings per share (EPS) for the second quarter were USD (0.16).

During May, Awilco Drilling exercised the call option of the secured bond at the rate of 101.5% of par value, with the settlement date being 28 June 2018 for final payment of USD 86.3 million plus interest.

Statement on financial position

As of 30 June 2018, total assets amounted to USD 304.4 million. At the same date, Awilco Drilling had USD 75.8 million in cash and cash equivalents.

On the 22 June, as a result of the subsequent offering a further 1,400,000 shares were issued with a subscription price of NOK 27.35 per share, raising approximately USD 4.7 million in gross proceeds

Operations and Contract Status

WilPhoenix

In Q2 2018 the WilPhoenix was hot stacked in Invergordon after completing the contract for Apache North Sea Ltd.

Revenue efficiency for the quarter was 98.5%. Contract utilisation was 27.5%.

During May, Awilco Drilling signed a contract with Shell UK Limited for the provision of the WilPhoenix for a decommissioning program of 18 firm wells plus options totalling a further 8 wells. The firm 18 well program has an estimated duration of 330 days and is scheduled to commence around 1 September 2018. Later in May, Shell UK Limited also gave notice of its intention to exercise a one well option under the decommissioning contract, therefore extending the contract to 19 firm wells with an estimated duration of 380 days and options for 7 further wells remaining

At the end of June, WilPhoenix had a total contract backlog of approximately USD 44.2 million.

WilHunter

During Q2 2018 the WilHunter was cold stacked in Invergordon.

Capital Requirements and Dividend

The Company's dividend policy has been to pay a quarterly dividend in support of its main objective to maximise returns to shareholders. All of the Company's free cash flow was distributed subject to maintaining a robust cash buffer to support working capital requirements, planned capital expenditure and uncertain future market prospects.

Since June 2013 Awilco Drilling has consistently paid a quarterly dividend and during this time has distributed USD 12.00 (NOK 83.22) per share in this respect. With the ordering of one new-build high-end semi submersible rig in March this year, plus an agreement for a further three independent rig options, the Company is now in a growth and investment phase. The Board of Directors has, therefore, decided to suspend the dividend and will resume same when the Company again reaches an appropriate free cash flow situation.

Organisation

At the end of Q2 2018, Awilco Drilling's Aberdeen based employees numbered 26 permanent personnel supported by 3 contractors. Awilco Drilling Pte. Ltd. offshore personnel numbered 114 permanent personnel. The Awilhelmsen Group continues to supply some support personnel via the management agreement.

Market Outlook

In the Norwegian market for modern high-end semi submersibles additional new fixtures have materialized with leading edge dayrates now above USD 300,000 per day. Further long term demand development is anticipated, underpinning the current positive impact seen on contract utilization and dayrates in that segment.

The UK market remains active with focus shifting towards 2019 and 2020. We see some increased activity on the back of a robust oil price and in combination with expected attrition, utilisation is expected to improve but remain seasonal also going into 2020.

Statement of Responsibility

We confirm that, to the best of our knowledge, the condensed set of financial statements for the second quarter of 2018, which has been prepared in accordance with IAS 34 Interim Financial Statements, gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Subsequent Events

On 1 August, the Company submitted an application to the Oslo Stock Exchange for transfer of its listing of shares from the Oslo Axess list to the Oslo Stock Exchange main list. The application is expected to be reviewed by the Oslo Stock Exchange Board on the 29 August, and the first day of listing is expected to be early September.

Oslo, 14 August, 2018

The Board of Directors of Awilco Drilling PLC

CEO:
Jon Oliver Bryce
Mobile: +44 1224 737900
E-mail: job@awilcodrilling.com

Investor Relations:
Cathrine Haavind
Mobile: +47 93 42 84 64
E-mail: ch@awilcodrilling.com

Company background

Awilco Drilling was incorporated in December 2009. Awilco Drilling owns two semi submersible drilling rigs; WilPhoenix built in 1982 and upgraded in 2011 and WilHunter built in 1983 and upgraded in 1999 and 2011. Awilco Drilling has also ordered one new high-end mid-water semi-submersible drilling rig, with a planned delivery in Q1 2021. In addition, three independent options for rigs of the same design have been agreed with the construction shipyard. The rig design is a Moss CS60 ECO MW, equipped for drilling in harsh environments.

Awilco Drilling was listed on the Oslo Stock Exchange (Oslo Axess) in June 2011 under ticker code AWDR. Awilco Drilling's headquarters are located in Aberdeen, UK.

The total number of outstanding shares of Awilco Drilling at the date of this report is 49 031 500.

www.awilcodrilling.com

Forward Looking Statements

This Operating and Financial Review contains certain forward-looking statements that involve risks and uncertainties. Forward-looking statements are sometimes, but not always, identified by such phrases as "will", "expects", "is expected to", "should", "may", "is likely to", "intends" and "believes". These forward-looking statements reflect current views with respect to future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. These statements are based on various assumptions, many of which are based, in turn, upon further assumptions, including Awilco Drilling's examination of historical operating trends. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including the competitive nature of the offshore drilling industry, oil and gas prices, technological developments, government regulations, changes in economical conditions or political events, inability of the Company to obtain financing on favourable terms, changes of the spending plan of our customers, changes in the Company's operating expenses including crew wages, insurance, dry-docking, repairs and maintenance, failure of shipyards to comply with delivery schedules on a timely basis and other important factors mentioned from time to time in our report.

Condensed statement of comprehensive income

in USD thousands, except earnings per share

	Q2 2018	YTD	Q2 2017	YTD
	(unaudited)	30.06.18 (unaudited)	(unaudited)	30.06.17 (unaudited)
Contract revenue	8,927	42,686	33,149	64,796
Reimbursables	67	411	336	632
Other revenue	2	2	6	12
	<u>8,996</u>	<u>43,099</u>	<u>33,491</u>	<u>65,440</u>
Rig operating expenses	7,440	14,663	6,319	12,440
Reimbursables	30	172	86	128
General and administrative expenses	3,445	6,228	2,484	3,496
Depreciation	3,146	6,548	3,913	7,762
	<u>14,061</u>	<u>27,611</u>	<u>12,802</u>	<u>23,826</u>
Operating (loss)/profit	<u>(5,065)</u>	<u>15,488</u>	<u>20,689</u>	<u>41,614</u>
Interest income	506	1,056	66	98
Interest expense	(3,025)	(4,667)	(1,687)	(3,504)
Other financial items	19	378	(191)	(5)
Net financial items	<u>(2,500)</u>	<u>(3,233)</u>	<u>(1,812)</u>	<u>(3,411)</u>
(Loss)/profit before tax	<u>(7,565)</u>	<u>12,255</u>	<u>18,877</u>	<u>38,203</u>
Tax expense	<u>(50)</u>	<u>(756)</u>	<u>(3,807)</u>	<u>(7,331)</u>
Net (loss)/profit	<u>(7,615)</u>	<u>11,499</u>	<u>15,070</u>	<u>30,872</u>
Total comprehensive (loss)/income	<u>(7,615)</u>	<u>11,499</u>	<u>15,070</u>	<u>30,872</u>
Attributable to shareholders of the parent	(7,615)	11,499	15,070	30,872
Basic and diluted earnings per share	(0.16)	0.29	0.50	1.03

Condensed statement of financial position

in USD thousands

	<u>30.06.2018</u>	<u>31.12.2017</u>
	(unaudited)	(audited)
Rigs, machinery and equipment	215,182	178,808
Deferred tax asset	1,435	1,372
	<u>216,617</u>	<u>180,180</u>
Trade and other receivables	-	17,168
Prepayments and accrued revenue	1,021	6,905
Inventory	4,958	4,809
Cash and cash equivalents	75,787	119,286
Current tax	5,995	3,551
	<u>87,761</u>	<u>151,719</u>
Total assets	<u><u>304,378</u></u>	<u><u>331,899</u></u>
Paid in capital	198,719	130,142
Retained earnings	97,035	101,068
	<u>295,754</u>	<u>231,210</u>
Long-term interest-bearing debt	-	80,000
	<u>-</u>	<u>80,000</u>
Current portion of long-term debt	-	10,000
Trade and other creditors	1,068	1,170
Accruals and provisions	7,556	9,519
	<u>8,624</u>	<u>20,689</u>
Total equity and liabilities	<u>304,378</u>	<u>331,899</u>

**Condensed statement of changes in equity for the period from
1st January 2017 to 30 June 2018**

in USD thousands

	Paid-in-equity	Other equity (retained earnings)	Total equity
Equity at 1 January 2017	130,142	96,926	227,068
Total comprehensive profit to 31 December 2017	-	28,167	28,167
Dividends paid		(24,025)	(24,025)
Balance as at 31 December 2017	130,142	101,068	231,210
Equity issue at 27 March 2018	64,937		64,937
Equity issue costs at 27 March 2018	(1,018)		(1,018)
Equity issue at 22 June 2018	4,658		4,658
Total comprehensive profit to 30 June 2018	-	11,499	11,499
Dividends paid	-	(15,533)	(15,533)
Balance as at 30 June 2018	198,719	97,035	295,754

Condensed statement of cash flow for the period

	Q2 2018 (unaudited)	Q2 2017 (unaudited)
Cash flow from operating activities		
Profit before tax	12,255	38,203
Depreciation	6,548	7,762
Interest cost	3,611	3,406
Sharebased payment	1,772	438
(Increase)/decrease in trade and other receivables	17,169	5,924
(Increase)/decrease in stock	(149)	35
(Increase)/decrease in prepayments and accrued revenue	5,884	(6,083)
Increase/(decrease) in trade and other payables	(5,413)	(1,937)
Interests paid	(3,092)	(3,603)
Interests received	1,056	98
Taxation paid	(3,262)	(2,935)
Net cash flow from operating activities	36,379	41,308
Cash flow from investing activities		
Purchase of property, plant and equipment	(42,922)	(439)
Net cash flow from investing activities	(42,922)	(439)
Cash flow from financing activities		
Proceeds from issue of share capital	69,595	-
Equity issue costs	(1,018)	-
Dividends paid	(15,533)	(12,013)
Repayment of loans	(90,000)	(5,000)
Net cash flow from financing activities	(36,956)	(17,013)
Net increase/(decrease) in cash and cash equivalents	(43,499)	23,856
Cash and cash equivalents at beginning of the period	119,286	70,070
Cash and cash equivalents at the end of the period	75,787	93,926

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Basis of preparation

These unaudited interim condensed financial statements have been prepared in accordance with IAS 34 “Interim financial reporting”.

Significant accounting policies

The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual audited financial statements for the year ended December 31, 2017. This interim report should be read in conjunction with the audited 2017 financial statements, which include a full description of the Group’s significant accounting policies.

Notes

Note 1 - Rigs, machinery and equipment

in USD thousands, except per share data

	Semi submersible drilling rigs/SPS	Other fixtures and equipment	Total
<u>Cost</u>			
Opening balance 1 Jan 2018	381,213	1,898	383,111
Additions	42,922	-	42,922
Closing balance	424,135	1,898	426,033
<u>Depreciation</u>			
Opening balance 1 Jan 2018	(202,939)	(1,364)	(204,303)
Depreciation charge	(6,521)	(27)	(6,548)
Accumulated depreciation per ending balance	(209,460)	(1,391)	(210,851)
Net carrying amount at end of period	214,675	507	215,182
Expected useful life	5-20 years	3-10 years	
Depreciation rates	5% - 20%	10% - 33%	
Depreciation method	Straight line	Straight line	
Residual value per rig is USD 15 million.			

Note 2 - Debt and financing

The Company completed a USD 125 million secured bond in the Norwegian bond market in April 2014. The bond was issued with an interest rate of 7% with maturity in April 2019. Repayment terms are USD 5 million six monthly and commenced in October 2014. The Bond was fully repaid on 28th June 2018.

	Total
Secured Bond	125,000
Repayment of debt	(125,000)
Total debt per end of accounting period	-
Current portion of long term debt	-
Long term debt per end of period	-

Note 3 - Related party transactions

in USD thousands except per share data

Transactions with Awilhelmsen are specified as follows:

	YTD Q2 2018
Purchases	(597)
Payables	(282)

Note 4 - Segment information

The company owns the semi submersible rigs WilHunter and WilPhoenix. Currently, the company is only operating in the mid water segment in the UK sector of the North Sea. The potential market for the rigs will be the international drilling market. As the rigs are managed as one business segment, the Company has only one reportable segment.

Note 5 - Restricted cash

The company has restricted cash of USD 1.0 million which has been deposited in relation to the forward hedge agreements.

Note 6 - Corporation taxes

Corporation tax provision is based on the tax laws and rates in the countries the rigs are operated and where the rigs are owned. During Q2 the average tax rates have been applied consistent with the prevailing average tax rate for the year.

Note 7 - Capital commitments

Outstanding Capital Commitments as at the end of Quarter 2 were USD 2.0 million.

Note 8 - Share capital

As of 30 June 2018 total outstanding shares in the Company was 49,031,500 with a nominal value per share of GBP 0.0065. The share capital and share premium reserve below are expressed in USD at the exchange rate at time of conversion from USD to GBP.

	Shares	Par value per share	Share capital	Share premium reserve
Share capital per 30 June 2018	49,031,500	£0.0065	476,766	198,241,821
Basic/diluted average number of shares, 1 April - 30 June	47,754,577			
Basic/diluted average number of shares, YTD	39,330,948			

Ranking	Shares	Ownership
AWILHELMSSEN OFFSHORE	17,919,938	36.55%
UBS SECURITIES LLC	7,319,962	14.93%
AKASTOR AS	2,700,000	5.51%
CITIBANK, N.A.	1,864,133	3.80%
EUROCLEAR BANK S.A./	1,778,371	3.63%
CITIGROUP GLOBAL MAR	1,129,000	2.30%
VERDIPAPIRFONDET DNB	1,068,681	2.18%
SEB PRIME SOLUTIONS	1,000,000	2.04%
BANK OF AMERICA, N.A	931,156	1.90%
CLEARSTREAM BANKING	924,129	1.88%
STRAWBERRY CAPITAL A	825,000	1.68%
AVANZA BANK AB	725,688	1.48%
CITIBANK, N.A.	697,945	1.42%
SVENSKA HANDELSBANKE	689,482	1.41%
DEUTSCHE BANK AG	688,364	1.40%
DEUTSCHE BANK AKTIEN	573,952	1.17%
STATE STREET BANK AN	505,752	1.03%
NORDNET BANK AB	394,729	0.81%
SUNDT AS	375,000	0.76%
TVENGE TORSTEIN INGV	350,000	0.71%
OTHER	6,570,218	13.40%
	<u>49,031,500</u>	<u>100.00%</u>

Note 9 - Derivative Financial Instrument

in USD thousands

30.06.2018
(unaudited)

Fair value of foreign currency forward contracts

nil

The foreign currency forward contracts were entered into in order to minimise the Group's exposure to losses resulting from adverse fluctuations in foreign currency exchange rates on monthly operating expenses. The fair value of the forward exchange contracts, as shown above, is recorded as other financial items in the Statement of Comprehensive Income and classified as accruals in the Statement of Financial Position.

Note 10 - Subsequent events

On 1 August, the Company submitted an application to the Oslo Stock Exchange for transfer of its listing of shares from the Oslo Axess list to the Oslo Stock Exchange main list. The application is expected to be reviewed by the Oslo Stock Exchange Board on the 29 August, and the first day of listing is expected to be early September.